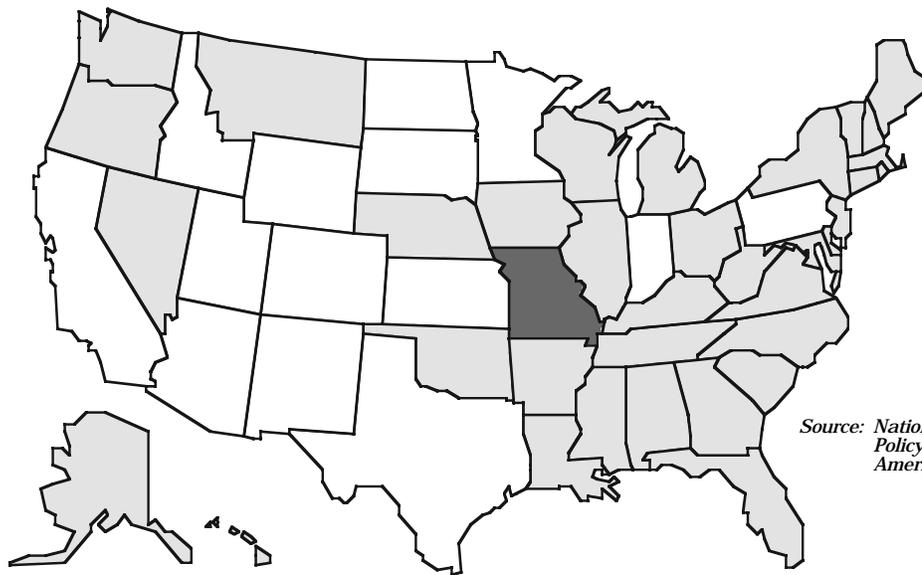


# Certificate of Need

Effective • Efficient • Accountable

More than 70% of the states in our nation, including the District of Columbia (see below), continue to regulate and allocate health care resources through Certificate of Need (CON), or a similar program under another name. Currently, only 14 states have no CON process, while others have reinstated or strengthened it.

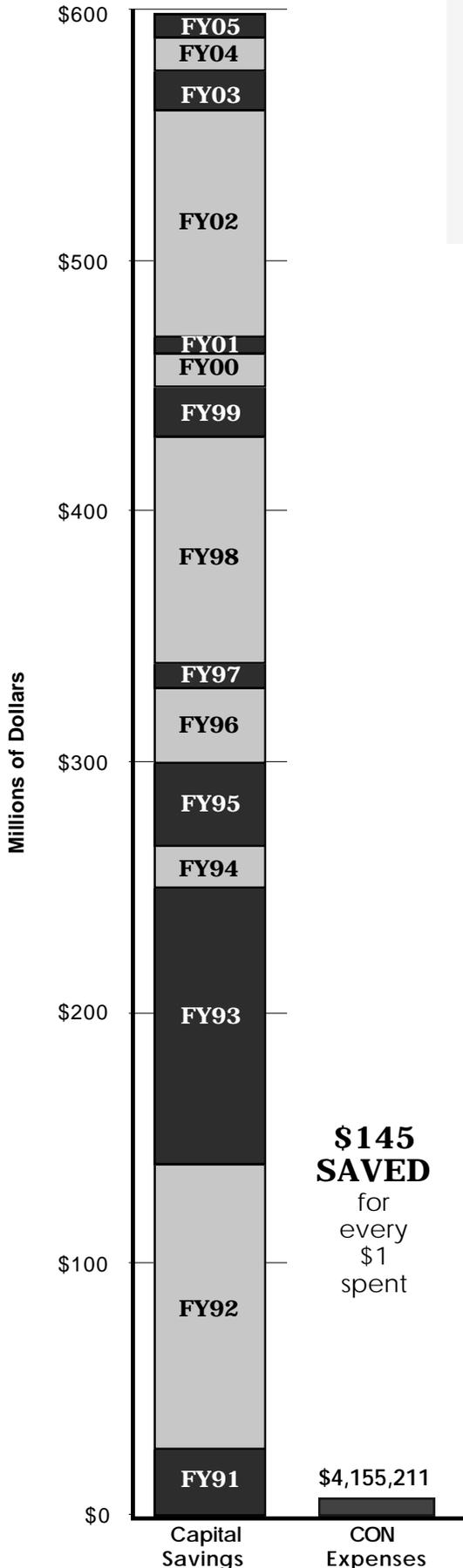


*Source: National Directory of Health Planning, Policy and Regulatory Agencies, American Health Planning Association*

Missouri CON has been effective in the following ways:

- **Saves money**  
by saving \$145 in capital expenditures for every \$1 invested;
- **Ensures accountability**  
to Missouri citizens through public meetings and notices;
- **Protects the community**  
by limiting unnecessary health care services; and
- **Promotes planning**  
through sound management and community need assessment.

**\$598,917,348  
SAVED**



## CON Saves Money

Over \$145 in capital expenditures were precluded by CON actions for every \$1 invested to administer the program from July 1, 1990, to June 30, 2005 (see column chart at left). In the same time period, more revenue from application fees was generated than was used by CON. As a result, the state treasury has also realized a net gain (see chart on the top of next page).

## Ensures Accountability

Public scrutiny acts as a powerful deterrent to unneeded proposals. The public pays for more than 50% of hospital costs and 60% of nursing home costs through Medicaid and Medicare. All applicants are required to justify their proposals in terms of their community's need.

The public should have an opportunity to provide input in decisions regarding health care services in their community. Thus, communities are notified of all CON applications in their area through published notices. Public hearings are a guaranteed right of local citizens.

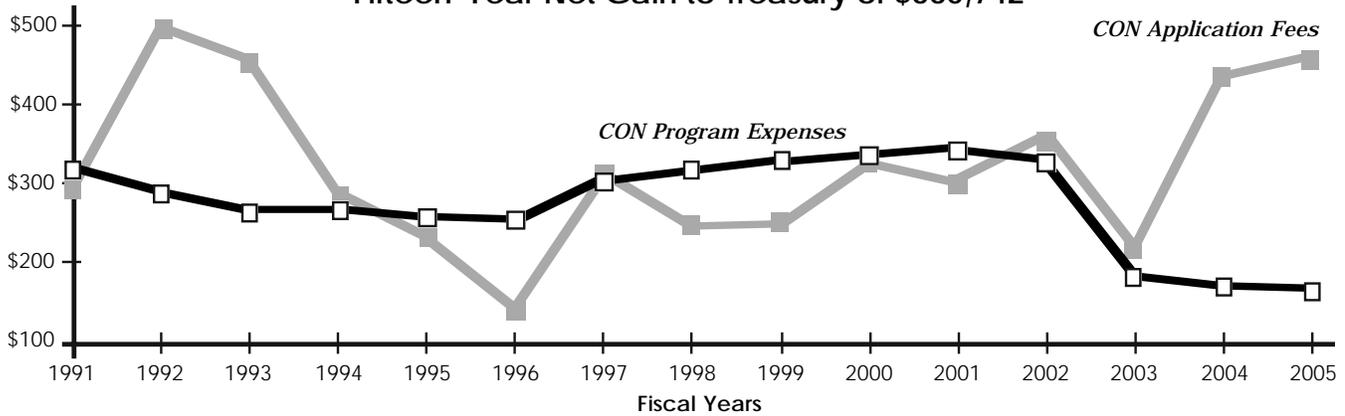
## Protects the Community

On January 1, 2003, the long term care bed moratorium, which had been in place since 1983, expired. However, holding down expansion is still an important issue since the statewide occupancy rate for licensed and available nursing home beds was less than 78% in 2005. Actions taken in fiscal year 2005 allowed for 113 additional nursing home beds.

Residential care facilities represent the greatest growth in long-term care beds. Actions taken in fiscal year 2005 allowed for the development of 466 additional residential care beds.

Statutory provisions also allowed 194 nursing home beds and 20 residential care facility beds to be transferred from low-occupancy facilities to facilities meeting high-occupancy, high-quality requirements. This continues to result in substantial cost savings to Missouri citizens.

## Fifteen-Year Net Gain to Treasury of \$660,742



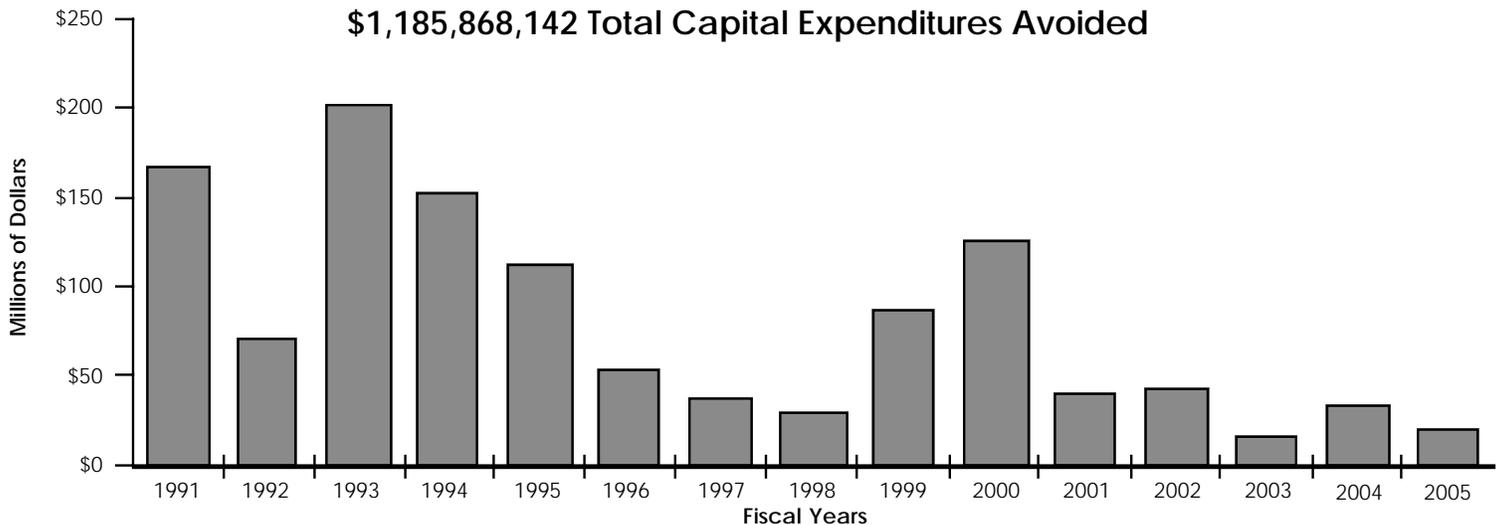
## Promotes Planning

Diligent and responsible planning for new health care services and facilities improves the chances for success. The CON application process is based on the belief that responsive community-based planning and sound business management has been conducted. The CON program is an opportunity to document that effort.

Frequently, an idea or perceived need is born because of its profit potential or its ability to enhance the marketability and image of the applicant. When good management principles and financial feasibility studies are applied from the community perspective, many such ideas don't survive. Therefore, CON minimizes and prevents market-generated failures and closures.

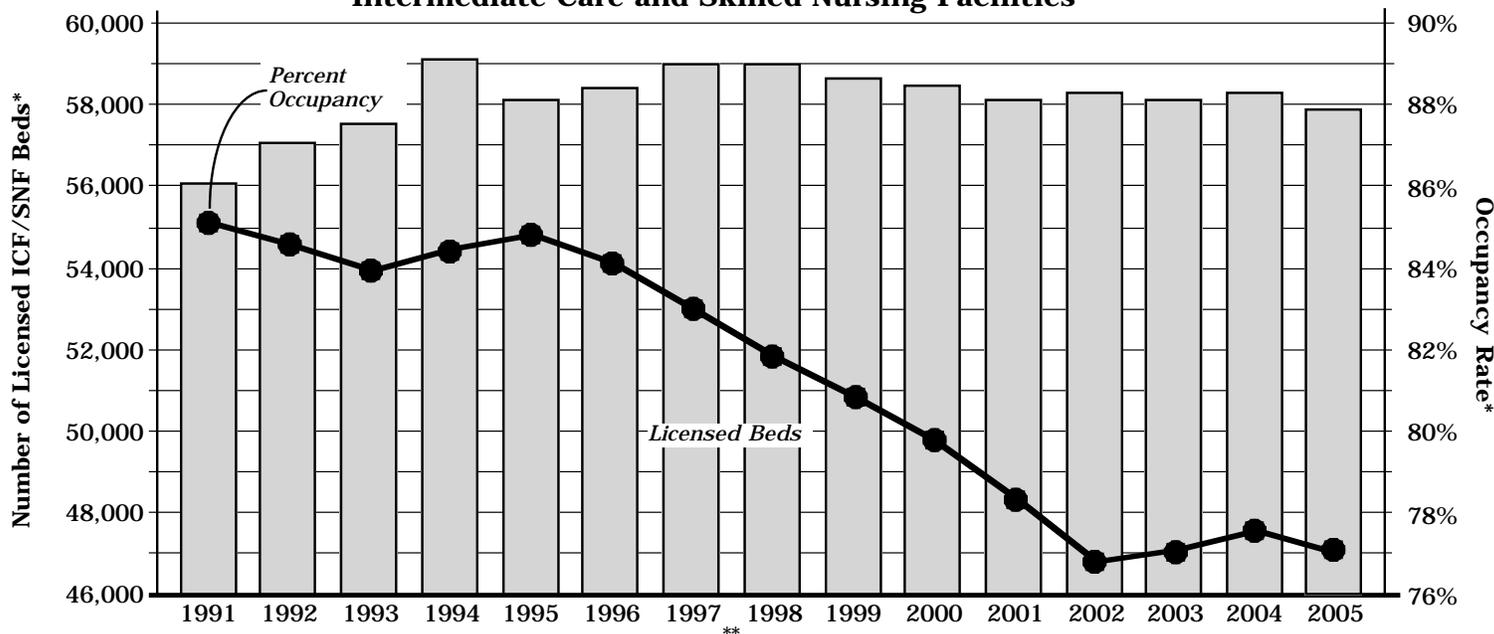
Many projects or ideas never become applications. This has often been referred to as the "sentinel effect." A prime indicator is the number of Letters of Intent (announcements of an idea) which never reach the application stage (final commitment stage). The chart below illustrates that nearly \$1.2 billion in expenditures for hospitals, nursing homes, residential care facilities and other projects were avoided from fiscal year 1991 through fiscal year 2005, because the projects were abandoned following the submittal of the Letter of Intent. These savings are in addition to those reported on the previous page. Also, they do not include savings from those proposals which were abandoned before they even reached the Letter of Intent stage.

## \$1,185,868,142 Total Capital Expenditures Avoided

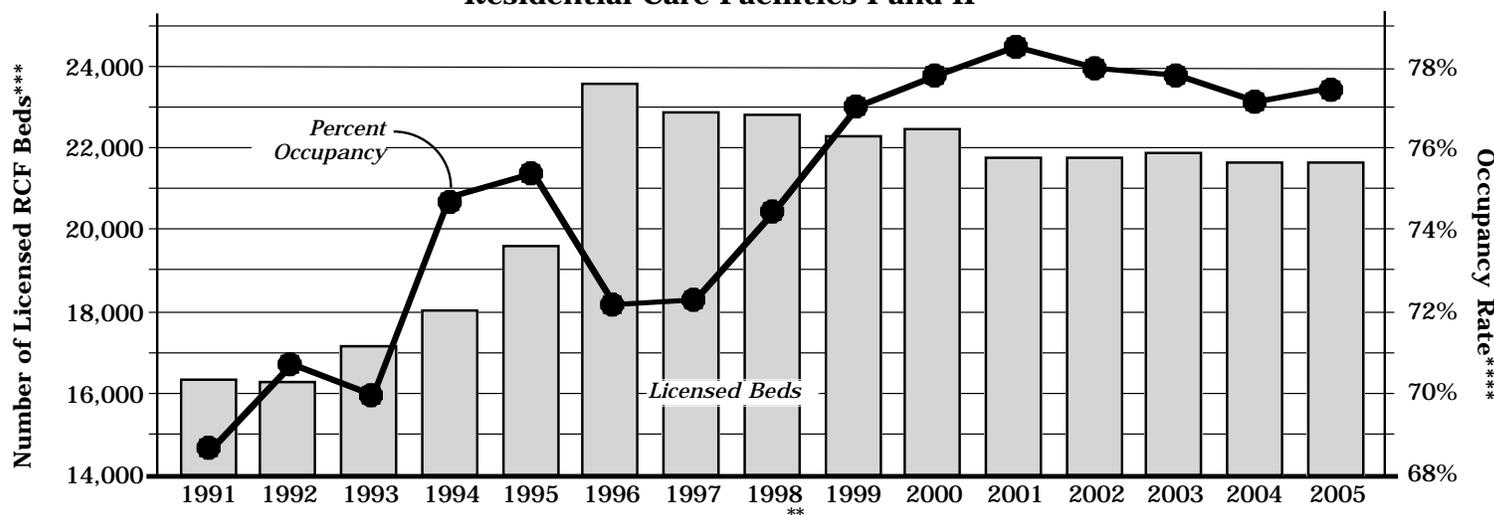


# Comparison of Long-Term Care Capacity and Occupancy (Calendar Years 1991-2005)

## Intermediate Care and Skilled Nursing Facilities



## Residential Care Facilities I and II



\* All ICF/SNF data based on Quarterly Survey Data.

\*\* Starting the Second Quarter of 1994, Quarterly Survey Data occupancy is based on the number of licensed and available beds (approximately 6.1% of licensed ICF/SNF beds and 11.6% of licensed RCF beds are generally unavailable).

\*\*\* Number of RCF beds based on Division of Health Standards and Licensure Data 1989-1993, and Quarterly Survey Data thereafter.

\*\*\*\* Occupancy Data for 1989-1993 was obtained from the Department of Health and Senior Services, and Quarterly Survey Data thereafter.

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